

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (02/10):**

BUTTER: Grade AA closed at \$1.2000. The weekly average for Grade AA is \$1.2145 (-.0365).

CHEESE: Barrels closed at \$1.2025 and blocks at \$1.2325. The weekly average for barrels is \$1.2100 (N.C.) and blocks, \$1.2385 (-.0010).

BUTTER: The cash butter market remains weak. The CME cash butter price has declined more than 20 cents since the first of the year and is the lowest since November 2003. Cream supplies remain plentiful from coast to coast. Often, cream is moving from one area to another for processing. In most instances, butter production is surpassing demand, thus surplus butter is clearing to inventory programs. Many plants have had to switch from print production to bulk because they need to store the butter. Overall butter demand is slower and fair at best. Retailers and users are working off existing inventories and waiting for the CME price to level off. Many buyers are hesitant to place large orders in a weak market. Most buyers feel that the current trend will continue as long as cream volumes are heavy and production outpaces demand.

CHEESE: The cheese market is weak. Overall demand remains light though spot interest has increased. Suppliers are able to fill orders with minimal difficulty. Inventories continue to accumulate except in the West, where supplies are in better balance. Current prices are attractive for rebuilding aging programs. Cheese production remains seasonally heavy. Cumulative 2005 cheddar production totals 3.05 billion pounds, up 41.6 million pounds (1.4%) despite one less day than in 2004. Total cheese output in 2005 totals 9.11 billion pounds, up 234.5 million pounds (2.6%) from 2004. Mozzarella output in 2005 totals 3.02 billion pounds, up 99.7 million pounds (3.4%) from a year ago.

FLUID MILK: Milk production is increasing in most parts of the country. Some of the larger gains are seen in the Southern Tier of states. Although above year earlier levels, milk output in parts of Texas and Arizona is being impacted by drought conditions. Most California contacts are reporting increasing milk output, while very wet conditions in the Pacific Northwest are having a negative impact on production gains. In the Upper Midwest, milk production is increasing along seasonal patterns. Fluid milk supplies range from ample to burdensome in most parts of the country. Bottled milk sales are not as brisk as they have been and many bottlers are still cancelling contracted loads. Surplus milk volumes are increasing and manufacturing plant capacities are being tested. Contacts have commented that volumes are more in line with spring flush volumes. Premiums usually associated with spot milk sales, seem to have disappeared and some milk moved at a discount to Class prices. The fluid cream market is weak as supplies far outpace Class II demand and spot prices, along with the CME cash butter price, are declining. Cream utilization in the production of ice cream is starting to show some improvement, while cream cheese production is about steady. Excess cream volumes are growing and clearances to butter producers are still increasing.

DRY PRODUCTS: The NDM market is weak. Production and offerings are increasing and domestic demand is seldom better than fair. Many spot buyers are adopting a wait and see posture toward buying. Last week's rumors of additional export sales appear more wishful than factual. Stocks are building

at most production locations. The dry whey market is mixed as prices moved higher and lower this week. Production levels are mostly steady and stocks are building, particularly on the resale side of the market. Demand for dry whey is reported as less aggressive as buyers do not want to be caught with inventories of high priced whey, should the market and prices start to slide. The WPC market remains weak and prices continue to move lower. Buyers are waiting to see where prices will level out before re-entering the market. The lactose market is firm as export and domestic demand are generally good.

CCC: During the week of February 6 - 10, there was no dairy price support activity.

DECEMBER DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 125.8 million pounds in December, 5.9% above December 2004 and 11.3% above November 2005. American type cheese production totaled 325.2 million pounds, 0.3% above December 2004 and 4.9% above November 2005. Total cheese output (excluding cottage cheese) was 791.0 million pounds, 2.2% above December 2004 and 3.9% above November 2005. Nonfat dry milk production, for human food, totaled 102.7 million pounds, 10.2% above December 2004 and 15.5% above November 2005. Dry whey production, for human food, was 80.1 million pounds, 0.1% above December 2004 but 0.1% below November 2005. Early estimates have annual production and percentage changes for the following products: total cheese 9.11 billion pounds, 2.6% more than 2004; Cheddar cheese 3.05 billion pounds, +1.4%; Italian cheese 3.81 billion pounds, +4.0%; butter 1.34 billion pounds, +7.0%, and total dry whey 1.05 billion pounds +1.0%. The annual production of NDM totaled 1.19 billion pounds, -15.3%. However, this figure was skewed by the increasing production of SMP, which NASS did not include during 2005.

ANNUAL FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During 2005 about 114.7 billion pounds of milk were received from producers. This volume of milk is 11.6% higher than the 2004 volume. There was a significant volume of milk not pooled due to intraorder disadvantageous price relationships in both years, although the volume in 2004 was much higher. About 44.6 billion pounds of producer milk were used in Class I products, 0.5% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilizations were; Class I = 39%, Class II = 13%, Class III = 36%, and Class IV = 12%. The weighted average statistical uniform price was \$15.07, \$0.67 lower than last year.

DECEMBER FLUID MILK SALES (DAIRY PROGRAMS & CDIB): During December, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.2% lower than December 2004. After adjusting for calendar composition, sales in December 2005 were 0.8% lower from December 2004. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, and fat-free (skim) milk increased from December 2004, while sales of whole milk, flavored whole milk, low fat (1%) milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier.

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY FEBRUARY 6	TUESDAY FEBRUARY 7	WEDNESDAY FEBRUARY 8	THURSDAY FEBRUARY 9	FRIDAY FEBRUARY 10	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2100 (N.C.)	\$1.2125 (+.0025)	\$1.2125 (N.C.)	\$1.2125 (N.C.)	\$1.2025 (-.0100)	(-.0075)	\$1.2100 (N.C.)
40# BLOCKS	\$1.2400 (N.C.)	\$1.2400 (N.C.)	\$1.2400 (N.C.)	\$1.2400 (N.C.)	\$1.2325 (-.0075)	(-.0075)	\$1.2385 (-.0010)
BUTTER GRADE AA	\$1.2300 (-.0175)	\$1.2250 (-.0050)	\$1.2200 (-.0050)	\$1.1975 (-.0225)	\$1.2000 (+.0025)	(-.0475)	\$1.2145 (-.0365)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2.**

CHICAGO MERCANTILE EXCHANGE

MONDAY, FEBRUARY 6, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.2400; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: 1 CAR EXTRA GRADE @ \$0.8700; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.2400, 1 @ \$1.2300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.2475, 1 @ \$1.2500, 1 @ \$1.2575

TUESDAY, FEBRUARY 7, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2125; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: 1 CAR EXTRA GRADE @ \$0.8700; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.2300; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.2100; OFFERS UNCOVERED: 4 CARS GRADE AA: 1 @ \$1.2250, 1 @ \$1.2275, 1 @ \$1.2400, 1 @ \$1.2450

WEDNESDAY, FEBRUARY 8, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: 1 CAR EXTRA GRADE @ \$0.8700; OFFERS UNCOVERED: NONE
 BUTTER — SALES: NONE; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.2100; OFFERS UNCOVERED: 3 CARS GRADE AA: 2 @ \$1.2200, 1 @ \$1.2300

THURSDAY, FEBRUARY 9, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.2000, 1 @ \$1.1975; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE AA: 1 @ \$1.2000, 2 @ \$1.2100, 1 @ \$1.2175, 1 @ \$1.2300

FRIDAY, FEBRUARY 10, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2025, 1 CAR 40# BLOCKS @ \$1.2325
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 7 CARS GRADE AA: 1 @ \$1.1875, 1 @ \$1.1900, 1 @ \$1.2000, 1 @ \$1.1950, 1 @ \$1.1925, 1 @ \$1.1900, 1 @ \$1.2000; BIDS UNFILLED: 9 CARS GRADE AA: 1 @ \$1.1950, 1 @ \$1.1925, 2 @ \$1.1900, 5 @ \$1.1500; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.2050, 1 @ \$1.2100

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8900 and Grade A at \$0.8875. (The last price change for Extra Grade was January 24 and Grade A occurred February 1.) The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A is \$0.8875 (+.0015).

BUTTER MARKETS

DECEMBER BUTTER PRODUCTION

During December 2005, butter production in the United States totaled 125.8 million pounds, 5.9% more than December 2004 and 13.3% more than November 2005. The following are December to December changes for various states: CA +9.5, NY -2.0%, PA +36.4%, and WI +3.9%.

NORTHEAST

The butter market remains weak as the price at the CME declines further. Churning activity is still very heavy. However, reports indicate that an Eastern producer has had mechanical problems and their churn is reportedly off line for several weeks, depending on parts availability. Consequently, this is forcing more excess cream onto the market and more loads are moving to Midwestern churning facilities. Other Eastern producers are helping out as best they can and are making butter daily. Bulk and packaged butter stocks are growing at most producing plants. Contacts comment that demand for butter is slower. Retailers and users are working off existing inventories and waiting for the CME price to level off. Retail sales remain slow and food service orders are steady. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The CME cash butter market continues to adjust lower. The current midweek price of \$1.2200 is the lowest since December 2003. Churning activity in the Central part of the country remains seasonally strong as cream volumes are heavy. Some Class II operations, especially ice cream, are starting to increase their usage of cream although significant volumes of cream continue to clear to Class IV operations. Pricing multiples remain in the 108 – 120 delivered range.

Butter inventories are increasing as production continues to outpace demand. Overall butter demand is fair at best. Some scattered retail feature activity is being reported at \$1.69 per pound which could stimulate buyer interest. Many buyers are hesitant to place large orders in a weak market. Most buyers feel that the current trend will continue as long as cream volumes are heavy and production surpasses demand. Food service orders are referred to as good. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME have held steady or declined since January 23. During that time, the market has lost 12 cents to stand at \$1.2200. Cream offerings remain very heavy and multiples in the 100-119 range are common. Many plants in the region have had to switch from prints to bulk because they need to store the butter. Limited feature activity is noted at the retail level and food service orders are fair at best. December U.S. butter production according to NASS totals 125.8 million pounds, up 5.9% from last year. Monthly production has been ahead of a year earlier since February 2005. December output for the Western region is 58.2 million pounds, up 12.4% from December 2004. The region produced 46% of U.S. output in the month. Cumulative output for the calendar year of 2005 for the U.S. was 1.34 billion pounds, up 7.0% from 2004. This increase totals 87.2 million pounds, which works out to an increase of 1.7 million pounds per week for each week in 2005. The CME weekly inventory increased by 10.5 million pounds last week to stand at 66.3 million pounds compared to 43.2 million pounds last year for the same week. This is the largest weekly increase since March 2002. Prices for bulk butter range from 2 cents under to 4 1/2 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
FEBRUARY 4	1,3153	1,2775	0.9223	1,2754	0.3541
	7,696,410	10,042,761	23,582,051	2,847,877	8,483,072

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

The weekly average prices for cheese at the CME continue to move lower. However, the daily prices for both blocks and barrels (through 2/6) have held at current levels for the past five trading sessions. The market tone is weak. Cheese output in the Northeast is mostly steady, but surplus milk volumes are reported as heavy. Contacts report that there is no shortage of milk in the region. Cheese stocks are more than ample for the slow to fair demand. Orders have slowed since late-January. Orders from producer stocks are slower now that Super Bowl needs have passed. Retail sales are slow to fair, unless featured. Food service sales are also a little slower.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.3200-1.8400
Cheddar Single Daisies	:	1.2775-1.7625
Cheddar 40# Block	:	1.3800-1.6500
Process 5# Loaf	:	1.4200-1.6600
Process 5# Sliced	:	1.4400-1.6675
Muenster	:	1.3925-1.5925
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled. New spot activity is occurring at the current lower price levels. However, demand is spotty and most easily covered from inventory. Overall natural cheese demand is fair at best and process often slow. The general approach to the market is that there continues to be more potential short term downside price risk than upside. February traditionally has not been a strong cheese sales/promotion month with many winter and tax bills due soon. Some traders hope that the Winter Olympics might stimulate demand though other prospects seem limited until Lent. A few retailers continue to work on promotions based around current price levels. Buyers continue to expect cheese offerings to be heavy through spring flush. Cheese supplies continue to exceed the demand for regular varieties. Aging programs continue to be rebuilt at current price levels, though "spec loads" are limited. Cheese yields remain seasonally good. The prospect of limited extra plant capacity into summer due to large milk supplies continues to prevail in the upper Midwest.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4700-1.7900
Brick And/Or Muenster 5#	:	1.7850-1.8200
Cheddar 40# Block	:	1.5875-2.2650
Monterey Jack 10#	:	1.8200-2.2650
Blue 5#	:	2.0900-2.5000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4150-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.8900

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
02/06/06	24,723	: 129,437
02/01/06	23,237	: 128,637
CHANGE	1,486	: 800
% CHANGE	6	: 1

WEST

Block cheese prices at the CME may have stabilized in the short run. Prices increased a 1/4 cent early last week and have held at that level (\$1.24) since then. Prior to that move, prices had fallen 13 cents since January 20. Demand for current blocks in the Western region is very good. Many buyers are adequately covered for February, but many indicate they are coming up short for March. Some are surprised that there is not more cheese available with all the milk around the region. A few sellers indicate that sales are sluggish and some stock building is taking place. The heavy offerings of under grade cheese that are available continue to clear reasonably well. Total cheese production in December for the U.S. according to NASS was 791.0 million pounds, up 2.2% from a year earlier. For the Western region, output was 331.4 million pounds, up 0.6% from December 2004. The West produced about 42% of the total output of cheese for the U.S. in December. U.S. Swiss cheese output in December totals 26.8 million pounds, up 9.1% from a year earlier. Swiss output has been above a year earlier since May 2005. For the year, Swiss output totals 292.8 million pounds, up 4.1% from last year. Total cheese production for 2005 is 9.11 billion pounds, up 2.6% from a year earlier and an all time record. This output is up 234.5 million pounds from 2004, which works out to an average weekly increase of 4.5 million pounds. Except for April, total cheese output for every month in 2005 was higher than 2004.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.3625-1.6200
Cheddar 40# Block	:	1.3575-1.6575
Cheddar 10# Cuts	:	1.5375-1.7575
Monterey Jack 10#	:	1.5475-1.7075
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are steady to lower. The market tone is weaker as post-Super Bowl orders have slowed. Supplies of most types are more than adequate to meet current needs. Food service and retail orders are generally steady.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6300	: 1.6325-3.1225*
Gorgonzola	: 3.6900-5.9400	: 2.1425-2.4900*
Parmesan (Italy)	: TFEWR	: 3.0475-3.1525*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.6325-1.8700*
Romano (Cows Milk)	: -0-	: 2.8300-4.9725*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	55	0	30	0	126
SOUTHEAST STATES	0	0	0	0	0	0

The following are the January 2006 Class and component prices under the Federal Milk Order pricing system: Class II \$13.25 (up \$.03 from December 2005), Class III \$13.39 (up \$.02), and Class IV \$12.20 (down \$0.37). The following are the product price averages used in computing Class prices: butter \$1.3387, NDM \$0.9614, cheese \$1.3895 and dry whey \$0.3416. The Class II butterfat price is \$1.4754 and the Class III/IV butterfat price is \$1.4684. Milk production continues to show moderate to heavy gains in Florida, Georgia, and other Gulf Coast States. Farther north, the milk flow is moving higher at a more modest rate. In New England, some contacts comment that good quality roughage and feed, coupled with the mild winter, has kept the milk flow well ahead of year earlier figures. However, with the dairy product prices falling significantly in recent weeks, some contacts feel that the resulting drop in milk prices may force more culling. This pattern may be a few months away. Currently, milk volumes are heavy throughout the East and manufacturing capacities are being tested. Milk volumes are almost "flush-like" in volume and there is a lot of concern/planning for the months considered the "real" flush. Bottled milk sales are leveling off in most parts of the region and some bottlers continue to cancel loads from their normal/contracted weekly intakes. Florida handlers have exported milk for the second consecutive week and contacts feel that this pattern will continue as is normal during this time of year. The condensed skim market is little changed. Prices are generally based on announced Class II & III skim milk prices and there has been relatively little change in the past few months. However, some suppliers have discounted Class IV loads to ease the pressure on their dryers. Demand for condensed skim is mostly contractual, but because of the declining prices of other products, this market is becoming more competitive. The fluid cream market remains weak. Cream offerings are heavy and compounded by equipment problems at one operation. This forced more cream onto the market and it may be some time before they are back on line. Spot cream sales are slow to fair and prices are lower. The CME weekly average declined more than six cents. Multiples are generally unchanged, but becoming more competitive now that buyers see falling butterfat prices and cream supplies are heavier. It seems that some Class II users are shopping for better deals. Current market conditions are right for lower prices as we are definitely in a buyers market. Cream cheese output is steady to slower as most producers are taking only contracted volumes. Some producers are taking advantage of the low-cost spot market, but most are not overly aggressive in their search for more cream. Ice cream production is picking up as they, too, are looking to take advantage of the "cheap" cream that is available. Churning activity is heavy at those plants that are operating.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.3636-1.5512
DELIVERED EQUIVALENT ATLANTA	-	1.3761-1.5763 M 1.4387-1.5012
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3420-1.5012

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0200-1.0900
NORTHEAST- CLASS III - SPOT PRICES	- 1.0500-1.1200

M I D W E S T

Class I interest remains sluggish for many bottlers, though with the usual few reporting improved early month sales. Milk supplies remain heavy throughout the region. The concern for most plant operators is trying to balance milk receipts with generally sluggish finished product sales. Trying to sell extra milk to reduce production is very difficult with far more plant operators interested in selling than buying. There were not enough reports to provide a spot milk price report though premiums seem few and limited. With milk supplies long already, industry reps are questioning what will happen with surplus volumes

and prices, around spring flush as many plants are rapidly approaching capacity levels in February. More plants are backing field staff off from soliciting new members/patrons in the upper tier of states to spend more time on milk quality and other issues. Cream supplies remain seasonally heavy. Ice cream production is steady to occasionally heavier as producers try to take advantage of current lower cream prices. Some butter manufacturers continue to purchase cream based on the Chicago Mercantile Exchange daily cash price close rather than the higher weekly average. Milk intakes continue to increase seasonally and volumes remain well above year ago levels. In Texas and contiguous states in the region, the unusually warm winter and continuing drought conditions are causing growing concern over pastures and declining feed supplies before new crops start to become available in a couple months. Recent showers have done little to alleviate the deficit in the region. Increased culling has not become the option of choice yet. Fat and protein tests are declining, at least seasonally.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEBRUARY 2 - 8	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 53.00	\$ 52.00- 58.00
REPLACEMENT HEIFER CALVES	\$400.00-700.00	\$300.00-600.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	FEBRUARY 2 - 8	PREVIOUS YEAR
SLAUGHTER COWS	\$ 44.00- 56.50	\$ 52.00- 62.00

W E S T

The January 4a price (butter/powder) in CALIFORNIA is \$11.74, \$0.37 lower than December and \$0.52 less than last year. This compares to the Federal Order Class IV price for January at \$12.20. The January 4b price (cheese) is \$12.56, down 69 cents from December and \$1.82 lower than last year. This compares to the Federal Order Class III price for January at \$13.39. Milk output in CALIFORNIA continues to move higher on a week to week basis at levels above last year. The impact is showing up at plants and keeping processors busy. Dairy farmers are concerned that the base milk prices are moving lower at levels not seen for two years. Bottled milk demand is steady at best. Some bottlers are disappointed in current sales. Weather conditions are hotter and windy in the South, but not to any extent to affect milk production. Conditions are seasonally ideal in the Central Valley. General feed conditions and availability are good in the state. Hay prices are high. Milk production in ARIZONA is noted to be several percentage points higher than during the same time last year. Plants are running on normal to extended schedules and continue to take additional milk from nearby processors. Cream supplies are long and being sold if possible. NEW MEXICO milk production is moving higher seasonally at levels above last year. Cow numbers and output per cow are trending higher. Processing plants in the state are handling milk as planned with supplies moving under contract to other regions of the country. Fluid milk needs are flat. CREAM continues to be difficult to clear and excess supplies end up at the churn, where butter production remains active in the region. Production of other cream based items is slow to redevelop and is not taking the volumes of cream expected at this time. At the CME, the butter price continues to decline and closed at \$1.2200 on Wednesday, February 8, a drop of 3 cents from last week. The impact of lower butter prices and weekly averages has pushed the basing point for cream lower. Additionally, multiples are under pressure and, at 95 to 119, FOB, vary depending on class usage and basing point. A major wind storm was noted over the past weekend in the PACIFIC NORTHWEST. Combined with the very wet conditions in the region, it caused trees to go down and take out power for thousands of homes. Dairies suffered only minimal damage and milk shipping was not disrupted. Conditions have begun to dry out in some areas and pastures are again useable. Milk supplies are beginning to show signs of seasonal increases. Some plants in the region are running full as milk is moved around to maximize income or reduce losses. As the spring flush approaches, this will not be as easy. Cool and dry conditions are now common over northern UTAH and southern IDAHO. This is good milk production weather and the cows are responding. Wet and foggy weather has not been a problem at all this winter so cows are in very good shape from a herd health point of view. Producers continue to be in an expansion mode in the region. Plants believe that they will have the capacity to handle output this spring with changes and expanded facilities that are now operational.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are lower on a weak market. Production remains strong on low heat NDM. As a result, stocks are building and offering prices are reduced, especially to remain competitive with production in the West. Traders are hesitant to purchase loads of NDM from the West or Central regions until the market settles. Direct end-users are also tentative in their purchases, opting to buy only as needed. High heat NDM is produced only as needed for the predominant contractual demand.

EAST: Prices continue their recent pattern of decline. The NASS average (the basis for most NDM sales) dropped more than five cents last week. Discounted prices continue to be reported as producers try to encourage buying interest. After last week's discussion about improved exports, more comments now indicate that the export market is becoming more competitive price-wise and sales of U.S. NDM are not quite as brisk as many have been espousing. This prompts more conversations about possible sales to CCC in the near future. Domestic sales of low heat powder remain generally slow as buyers wait for better prices. Production levels remain heavy. Buyers are still waiting for better prices and appear hesitant to get back in the market while prices are falling. Many buyers see the heavy supply situation lasting well into spring and can buy hand-to-mouth until prices level off. Most Eastern producers are still running their dryers 6-7 days per week. Surplus milk volumes are heavy and some contacts think the current volumes of milk are nearing what would be expected in the flush. Producer stocks are growing.

DAIRY PRODUCTS: Production of human food, nonfat dry milk during December 2005 totaled 102.7 million pounds, up 10.2% from December 2004 and 15.5% above November 2005. Month ending stocks, at 113.7 million pounds, are 15.8% above a year ago and 27.6% above last month. [Note: NASS NDM totals do not account for SMP production and stocks]

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8700 - .9925 MOSTLY: .8800 - .9600
 HIGHHEAT: .9825 - 1.0500

NONFAT DRY MILK - WEST

The low/medium heat nonfat dry milk market is weak. Prices are lower with surplus offerings noted. The impact of index pricing pushed prices 4 to 7 cents lower last week. This week, one index in California increased 2.4 cents. Fluctuations in the indexes are common and are created because sales and prices are reported when product is actually shipped. (Dairy Market News reports prices the week of the sale.) Additionally, when larger blocks are discounted, the price can move lower for one week and then rebound the following week. Drying schedules remain active in the region to process building milk supplies. The trend towards making butter/powder over cheese continues. Demand is fair for exports, but slower for domestic sales. Rumors of additional export sales reported last week appear more wishful than factual. Current stock levels are moderate to heavy at the producer level. High heat NDM prices are trending lower and affected by changes in indexes. Demand is seasonally slow and coupled with buyers waiting and hopeful for lower prices. U.S. NDM production in December totaled 102.7 million pounds, 10.2% higher than last year and 15.5% more than last month. Cumulative production for calendar year 2005 is 1.191 billion pounds, 15.3% (215.3 million pounds) less than 2004. December production in the Western region totaled 73.0 million pounds, up 10.5% from last year. The West produced 71% of the U.S. total in December. California produced 50.2 million pounds, up 30.2% from December 2004. U.S. manufacturers' stocks at the end of December were reported at 113.7 million pounds, 15.8% more than last year and 27.6% higher than last month. [Note: NDM statistics may not include skim milk powder (SMP).]

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8200 - .9450 MOSTLY: .8400 - .9200
 HIGHHEAT: .9000 - 1.0100

CALIFORNIA MANUFACTURING PLANTS - NDM
 -see adjacent column-
DRY BUTTERMILK - CENTRAL

Prices are unchanged to lower on a weak market. With good churn activity, increased production of condensed buttermilk is noted. Although some condensed buttermilk is clearing into Class II facilities, production of dry buttermilk remains strong. Stocks are building at most locations. Saving dry buttermilk to be rewetted for Class II interest this summer may no longer be a viable plan for some producers. However, reduced offering prices are not garnering much demand at the present time. Production of dry buttermilk during December 2005 totaled 5.4 million pounds, 13.2% less than December 2004 but 20.9% above November 2005. Month ending stocks, at 12.8 million pounds, are 28.9% above a year ago and 20.0% higher than November 2005.

F.O.B. CENTRAL: .8300 - .8950

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to lower and the market tone remains weak. The Northeastern prices are nominal. Churning activity is lighter in the East. Mechanical problems at one plant stopped churning until repairs can be made. Stocks of dry buttermilk continue to growing at most operations. Demand is lackluster and powder continues to be available at lower prices in other areas of the country. Dry buttermilk production during December 2005 totaled 5.4 million pounds, down 13.2% from last December but 20.9% more than November 2005. Month ending stocks, at 12.8 million pounds, are up 28.9% from a year ago and 20.0% more than a month ago.

F.O.B. NORTHEAST: .9050 - .9300
 DELVDSOUTHEAST: .8700 - .9500

DRY BUTTERMILK - WEST

Western buttermilk prices are both higher and lower as adjustments are made. The market tone remains weak. Production remains active as butter churning in the region continues higher than projected to process available cream supplies. Demand for dry buttermilk is limited to contract sales and a few spot sales. Attempts to export buttermilk are not being successful under the current conditions. Stocks are moderate to heavy. U.S. dry buttermilk production in December totaled 5.4 million pounds, down 13.2% from last year but 20.9% more than November. Stocks at the end of December were 12.8 million pounds, 28.9% more than last year and 20.0% higher than last month.

F.O.B. WEST: .8000 - .8650 MOSTLY: .8000 - .8200

DRY WHOLE MILK - NATIONAL

Prices are lower and nominal. The lower butter price at the CME and the lower Class IV milk price for January, prompted some producers to adjust prices. Production levels remain light to moderate and generally geared to filling orders. Demand is unchanged. Plant inventories are balanced. Dry whole milk production during December 2005 totaled 2.9 million pounds, up 19.5% from December 2004 and 43.0% more than November 2005.

F.O.B. PRODUCING PLANT: 1.3050 - 1.3500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 3	\$.9123	13,263,029	0
January 27	\$.8883	19,663,635	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices are mixed on a steady to firm market. Although manufacturer prices are mostly reported at steady to higher, reflecting premium pricing and energy surcharges, traders are expressing increased difficulty in clearing loads at these price levels. Some resellers are beginning to clear their inventories in an attempt to avoid the cost of holding high priced stocks should the market decline. Producers report that manufacturer stocks are generally in balance. Supplies of feed grade whey are available at some locations for the good demand. Production of HUMAN FOOD, dry whey during December 2005 totaled 80.2 million pounds, 0.1% more than December 2004 but 0.1% below November 2005. Month ending stocks, at 36.7 million pounds, are 8.5% below a year ago but 13.9% more than November 2005. Production of ANIMAL FEED, dry whey during December 2005 totaled 6.1 million pounds, 19.0% less than December 2004 but 23.0% above November 2005. Month ending stocks, at 3.7 million pounds, are 26.4% lower than a year ago and 1.1% less than November 2005.

F.O.B. CENTRAL: .3375 - .3750 MOSTLY: .3425 - .3600
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3150 - .3425

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are fractionally higher again this week. The Northeastern prices remain nominal. Comments from producers continue to indicate that their output is clearing satisfactorily via contracts, while traders report that demand is slowing and resale loads are more difficult to clear. Users seem to be content taking loads for immediate needs while prices, in their opinion, appear ready to decline. Again, market activity is quiet. Plant stocks are quite well balanced, but a few spot loads are available from time to time. These spot loads are clearing, but not as quickly as weeks past. Production of human food, dry whey during December totaled 80.1 million pounds, 0.1% more than December 2004 but 0.1% less than November 2005. Month ending stocks, at 36.7 million pounds, are 8.5% below last year but 13.9% more than a month ago. Production of animal feed, dry whey during December totaled 6.1 million pounds, 19.0% less than a year ago but 23.0% above October 2005.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3625 - .3675
DELVD SOUTHEAST: .3725 - .4100

DRY WHEY – WEST

Western whey range prices firmed back up this week, while the mostly range was mixed moving both higher and lower. There seems to be some uncertainty in the trade about the direction of the market in the near term. Cases are being made for both directions by major players. Stocks do seem to be heavier at some locations, but others continue to be in great shape. December whey production for the U.S. is unchanged from last year at 80.1 million pounds. Stocks at the end of the month are down 8.5% from last year to stand at 36.7 million pounds. Whey output in the Western region is down 13.4% from last year at 21.2 million pounds. Cumulative total whey output for 2005 is 1.05 billion pounds, up 1.0% (10.6 million pounds) from 2004.

NONHYGROSCOPIC: .3200 - .3850 MOSTLY: .3450 - .3600

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower on a weak market. Offerings are noted at a discount. Some buyers are hesitant to purchase additional loads of WPC 34% until the market settles. WPC 80% remains a competitive substitute to WPC 34%, depending upon formulations and available supplies of dry whey, dry permeate or lactose to dilute the concentrate to a 34% basis. Producers that have contracted the bulk of their supplies are in the best position. Offerings of condensed 34% are noted in the trade for the fair interest. Production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during December 2005 totaled 25.0 million pounds, 0.4% higher than December 2004 and 6.9% above November 2005. Manufacturers' end-of-month stocks totaled 19.8 million pounds, 3.7% higher than a year ago and 16.2% above last month. Production of HUMAN AND ANIMAL WPC (50.0-89.9% PROTEIN) during December 2005 totaled 9.5 million pounds, up 23.9% from December 2004 and 10.3% above November 2005. Manufacturers' end-of-month stocks totaled 11.7 million pounds, 5.7% above last year and 6.0% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .7250 - .8050 MOSTLY: .7350 - .7750

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Some producers are satisfying spot load trades at higher prices while shorting contractual shipments in order to gain higher returns. Export inquiries persist as supplies from other lactose producing countries are not readily available. Feed demand is good, especially for off grade supplies that are a cost effective substitute to dry whey. Lactose production during December 2005 totaled 56.7 million pounds, down 4.2% from December 2004 and 0.7% lower than November 2005. Month ending stocks, at 53.1 million pounds, are 28.5% lower than a year ago but 2.9% above last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2200 - .2800 MOSTLY: .2300 - .2550

CASEIN – NATIONAL

Casein markets and prices are generally steady. Stocks are currently sufficient for most domestic needs, although spot or immediate need requirements are sometimes limited. Concerned about lower milk production in Oceania, especially New Zealand, and reports of projected lower casein production in Europe, some buyers are questioning their suppliers about future availability. Suppliers acknowledge both of these trends, but feel that supplies and future availability should be adequate for needs. Questioned about prices, suppliers indicate that prices will hold steady within current levels and they do not foresee much downturn for the future. The Kansas City Commodity office announced that all offers received under invitation #047 for the sale of nonfat dry milk for the manufacture of casein or caseinate were rejected due to price.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

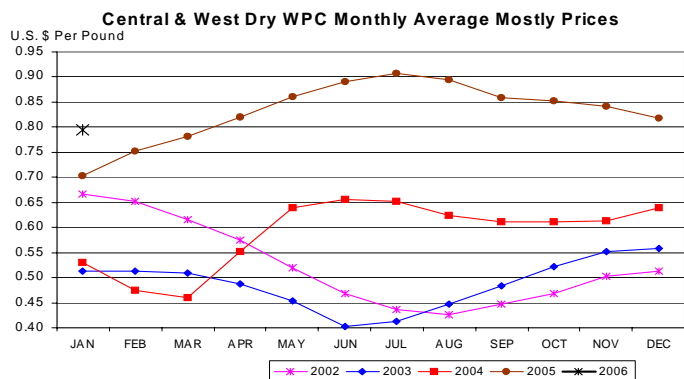
RENNET: 3.1500 - 3.2700
ACID: 3.0800 - 3.2700

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels remain relatively heavy as producers take advantage of the lower priced milk which is currently available in parts of the country. The market continues to be highly competitive, but retail sales tend to be relatively slow at this time of year. Canned evaporated milk production during December 2005 totaled 45.5 million pounds, 4.5% less than December 2004 but 16.0% more than December 2005. Month ending stocks, at 36.9 million pounds, are 2.5% above a year ago but 8.3% less than last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.



DECEMBER 2005 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 125.8 million pounds in December, 5.9 percent above December 2004 and 11.3 percent above November 2005. **AMERICAN TYPE CHEESE** production totaled 325.2 million pounds, 0.3 percent above December 2004 and 4.9 percent above November 2005. **TOTAL CHEESE** output (excluding cottage cheese) was 791.0 million pounds, 2.2 percent above December 2004 and 3.9 percent above November 2005. **NONFAT DRY MILK** production, for human food, totaled 102.7 million pounds, 10.2 percent above December 2004 and 15.5 percent above November 2005. **DRY WHEY** production, for human food, was 80.1 million pounds, 0.1 percent above December 2004 but 0.1 percent below November 2005. **ICE CREAM** (hard) production totaled 55.9 million gallons, 1.4 percent above December 2004 but 9.5 percent below November 2005.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	DEC 2005	PERCENT CHANGE FROM:			PRODUCT	DEC 2005	PERCENT CHANGE FROM:		
	1,000 LBS.	DEC 2004	NOV 2005	YEAR TO DATE 1/		1,000 LBS.	DEC 2004	NOV 2005	YEAR TO DATE 1/
BUTTER	125,799	5.9	13.3	7.0	SOUR CREAM	98,001	4.2	-8.6	4.5
CHEESE					YOGURT (PLAIN AND FLAVORED)	214,809	0.5	3.6	6.8
AMERICAN TYPES 2/	325,220	0.3	4.9	1.8	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	258,538	-0.1	5.0	1.4	SWEET-TYPE, HUMAN FOOD	8,701	24.8	23.2	---
SWISS	26,794	9.1	7.6	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	6,778	-0.6	6.0	---	DRY WHEY, HUMAN FOOD	80,147	0.1	-0.1	---
CREAM & NEUFCHATEL	63,865	14.0	-2.4	---	DRY WHEY, ANIMAL FEED	6,073	-19.0	23.0	---
HISPANIC	14,075	14.7	-0.2	---	DRY WHEY, TOTAL	86,220	-1.5	1.3	1.0
MOZZARELLA	266,961	3.4	5.9	3.4	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	67,439	6.4	0.3	6.3	HUMAN FOOD	3,592	12.6	6.8	---
TOTAL ITALIAN TYPES	334,400	4.0	4.7	4.0	ANIMAL FEED	4,585	8.5	11.6	---
ALL OTHER TYPES	19,891	-29.7	-6.2	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	56,654	-4.2	-0.7	---
TOTAL	791,023	2.2	3.9	2.6	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	33,378	-2.6	-9.4	---	HUMAN FOOD 7/	30,239	10.7	8.8	---
COTTAGE CHEESE, CREAM 4/	26,170	-6.7	-9.4	-2.5	ANIMAL FEED 7/	4,219	-18.9	0.9	---
COTTAGE CHEESE, LOWFAT 5/	28,520	2.8	-8.9	-0.2					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
WHOLE MILK	45,504	-4.5	16.0	---	ICE CREAM (HARD)	55,945	1.4	-9.5	5.0
DRY WHOLE MILK	2,921	19.5	43.0	---	ICE CREAM, LOWFAT (HARD)	8,129	-5.4	0.5	---
NONFAT DRY MILK, HUMAN FOOD	102,714	10.2	15.5	-15.3	ICE CREAM, LOWFAT (SOFT)	15,490	-18.3	-14.7	---
DRY SKIM MILK, ANIMAL FEED	462	31.3	36.3	---	ICE CREAM, LOWFAT (TOTAL)	23,619	-14.2	-10.0	-4.5
DRY BUTTERMILK	5,378	-13.2	20.9	---	SHERBET (HARD)	3,394	16.2	-2.5	9.7
					YOGURT (TOTAL)	4,332	4.4	2.8	-7.9

MANUFACTURERS' STOCKS, END OF MONTH 8/							
PRODUCT	DEC 2005	PERCENT OF:		PRODUCT	DEC 2005	PERCENT OF:	
	1,000 LBS.	DEC 2004	NOV 2005		1,000 LBS.	DEC 2004	NOV 2005
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	36,749	-8.5	13.9	HUMAN FOOD	29,074	6.2	14.2
DRY WHEY, ANIMAL FEED	3,720	-26.4	-1.1	ANIMAL FEED	2,384	-13.1	-7.4
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	4,204	-18.0	7.9	CANNED EVAPORATED & CONDENSED WHOLE MILK	36,856	2.5	-8.3
LACTOSE, HUMAN FOOD & ANIMAL FEED	53,106	-28.5	2.9	NONFAT DRY MILK FOR HUMAN FOOD	113,719	15.8	27.6
DRY BUTTERMILK, TOTAL	12,801	28.9	20.0				

1/ 2005 cumulative as percent change of 2004 cumulative. 2/ Includes Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. Does not include sweet-type, animal whey. 7/ Whey Protein Concentrate, 25.0 to 89.9 percent. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (2-06), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JANUARY

Component Price Information: Under the Federal milk order pricing system, the butterfat price for January 2006 is \$1.4684 per pound. Thus, the Class II butterfat price is \$1.4754. The protein and other solids prices for January are \$2.3994 and \$0.1881 per pound, respectively. These component prices set the Class III skim milk price at \$8.55 per cwt. The January Class IV skim milk price is \$7.32 which is derived from the nonfat solids price of \$0.8132 per pound.

Product Price Averages: The product price averages for January are: butter \$1.3387, nonfat dry milk \$0.9614, cheese \$1.3895, and dry whey \$0.3416.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	JANUARY 2006				FEBRUARY 2006
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	16.63	13.25	13.39	12.20	16.63
Appalachian (Charlotte) 5/	005	16.48	13.25	13.39	12.20	16.48
Southeast (Atlanta) 6/	007	16.48	13.25	13.39	12.20	16.48
Florida (Tampa) 7/	006	17.38	13.25	13.39	12.20	17.38
Mideast (Cleveland) 8/	033	15.38	13.25	13.39	12.20	15.38
Upper Midwest (Chicago) 9/	030	15.18	13.25	13.39	12.20	15.18
Central (Kansas City) 10/	032	15.38	13.25	13.39	12.20	15.38
Southwest (Dallas) 11/	126	16.38	13.25	13.39	12.20	16.38
Arizona-Las Vegas (Phoenix) 12/	131	15.73	13.25	13.39	12.20	15.73
Pacific Northwest (Seattle) 13/	124	15.28	13.25	13.39	12.20	15.28
All-Market Average	---	16.03	13.25	13.39	12.20	16.03

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I prices at other cities are: Portland, same; and Spokane, same.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, ANNUAL

HIGHLIGHTS: Handler reports of receipts and utilization under the Federal milk order system for 2005 have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During 2005 about 114.7 billion pounds of milk were received from producers. This volume of milk is 11.6 percent higher than the 2004 volume. There was a significant volume of milk not pooled due to intraorder disadvantageous price relationships in both years, although the volume in 2004 was much higher. About 44.6 billion pounds of producer milk were used in Class I products, 0.5 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilization percentages were; Class I = 39%, Class II = 13%, Class III = 36%, and Class IV = 12%. The weighted average statistical uniform price was \$15.07 per cwt., \$0.67 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE YEAR 2005										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR <u>3/</u>	TOTAL	CHANGE FROM PREV. YEAR <u>3/</u>	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	23,565.3	4.2	10,612.9	-0.5	45	20	23	12	15.64
Appalachian (Charlotte)	005 <u>4/</u>	6,399.9	3.5	4,190.9	-2.8	65	16	7	12	16.23
Southeast (Atlanta)	007	7,543.7	5.6	4,654.4	0.6	62	11	14	13	16.14
Florida (Tampa)	006	3,125.3	9.1	2,572.6	5.7	82	8	6	4	17.57
Mideast (Cleveland)	033 <u>4/</u>	18,060.1	13.6	6,484.1	0.1	36	16	41	7	14.70
Upper Midwest (Chicago)	030 <u>4/</u>	22,449.9	30.1	4,451.7	0.1	20	7	68	5	14.28
Central (Kansas City)	032 <u>4/</u>	13,965.8	20.8	4,350.4	0.4	31	12	45	12	14.47
Southwest (Dallas)	126 <u>4/</u>	9,578.7	9.3	4,138.8	0.3	43	13	22	22	15.37
Arizona-Las Vegas (Phoenix)	131	2,947.5	1.9	986.2	2.3	33	11	39	17	14.65
Pacific Northwest (Seattle)	124 <u>4/</u>	7,045.8	8.4	2,128.3	-0.9	30	7	25	38	14.20
ALL MARKET AVERAGE OR TOTAL	<u>4/</u>	114,682.0	11.6	44,570.3	-0.5	39	13	36	12	15.07

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Percent changes have been adjusted for leap year.

4/ Due to a disadvantageous relationship between intra order class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 6.6 billion pounds of milk that normally would have been associated with these markets. In 2004, the estimated not-pooled volume of milk was 17.4 billion pounds occurring in Order Nos. 001, 005, 007, 006, 033, 030, 032, 126, 135, and 124. After adjusting for these not-pooled volumes, the year-to-year percent change is +0.4.

DECEMBER FLUID MILK SALES

During December, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.2 percent lower than December 2004. After adjusting for calendar composition, sales in December 2005 were 0.8 percent lower from December 2004. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, and fat-free (skim) milk increased from December 2004, while sales of whole milk, flavored whole milk, low fat (1%) milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dvfm/mib/in-areales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
DECEMBER 2005, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	December	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,502	17,162	-2.8	-3.4
Flavored Whole Milk	65	752	-2.8	-11.6
Reduced Fat Milk (2%)	1,549	17,771	1.6	1.4
Low Fat Milk (1%)	540	6,375	0.4	2.4
Fat-Free Milk (Skim)	681	8,025	2.3	2.8
Flavored Fat-Reduced Milk	280	3,645	-1.4	3.1
Buttermilk	48	527	-2.1	-2.6
Total Fluid Milk Products 3/	4,744	54,543	-0.2	-0.1
Total Fluid Milk Products Adjusted 3/ 4/	4,676	54,526	-0.8	0.3

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. There were significant revisions to previous year data and April 2005 data for California. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dvfm/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, DECEMBER 2005, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	December	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	826	9,479	-2.9	-0.9
Appalachian (005)	304	3,476	2.2	-0.2
Southeast (007)	422	4,870	1.9	1.8
Florida (006)	255	2,981	-1.3	1.5
Mideast (033)	551	6,252	-1.4	-0.6
Upper Midwest (030)	387	4,401	0.6	1.3
Central (032)	411	4,638	1.2	-0.2
Southwest (126)	369	4,281	0.9	1.4
Arizona-Las Vegas (131) 3/	110	1,264	2.0	2.1
Pacific Northwest (124)	185	2,137	-1.0	-0.9
California (---) 4/	545	6,400	0.2	-0.1

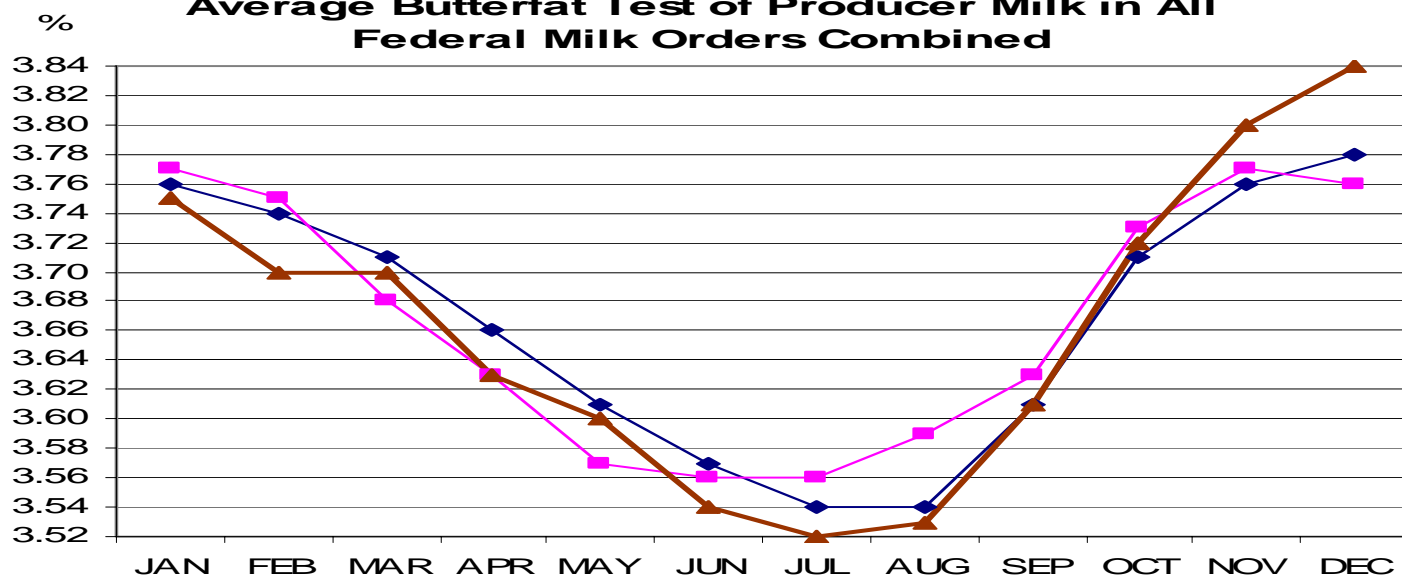
1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 4/ above.

3/ The in-area sales data for this order does not include all the sales in the marketing area due to the reporting exemption of fluid milk processors located in Clark County, Nevada.

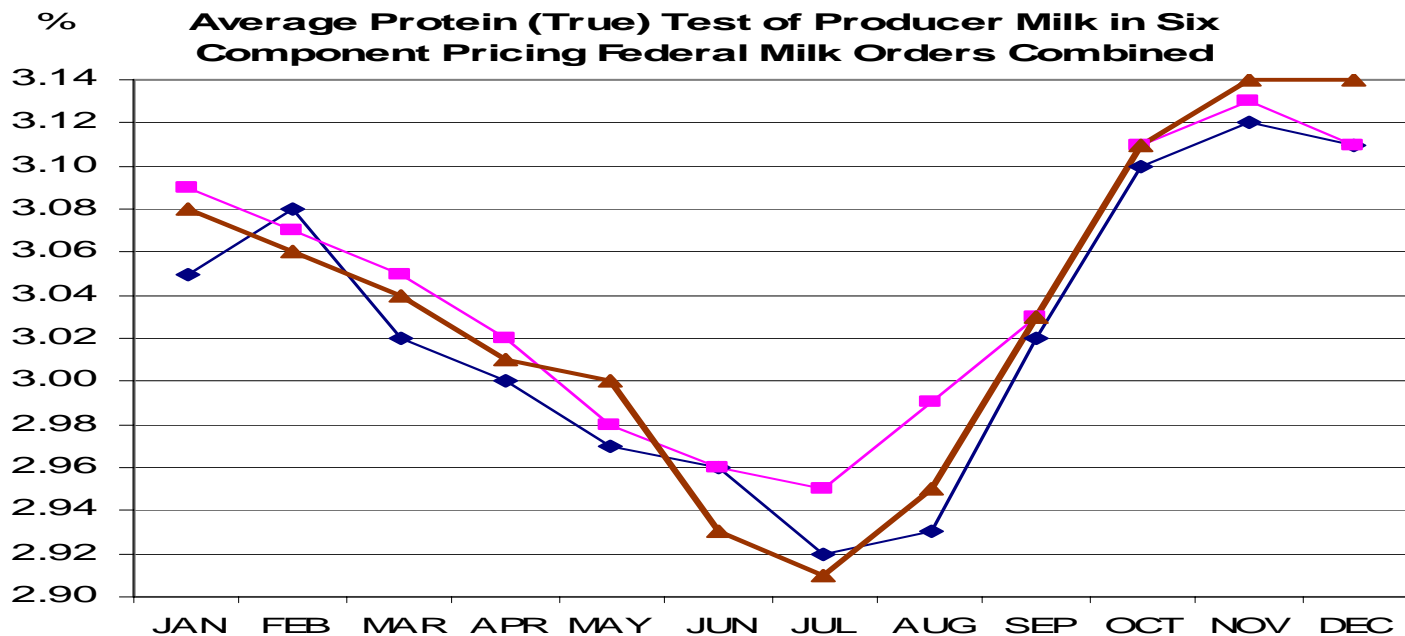
4/ There were significant revisions to previous year data and April 2005 data for California.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

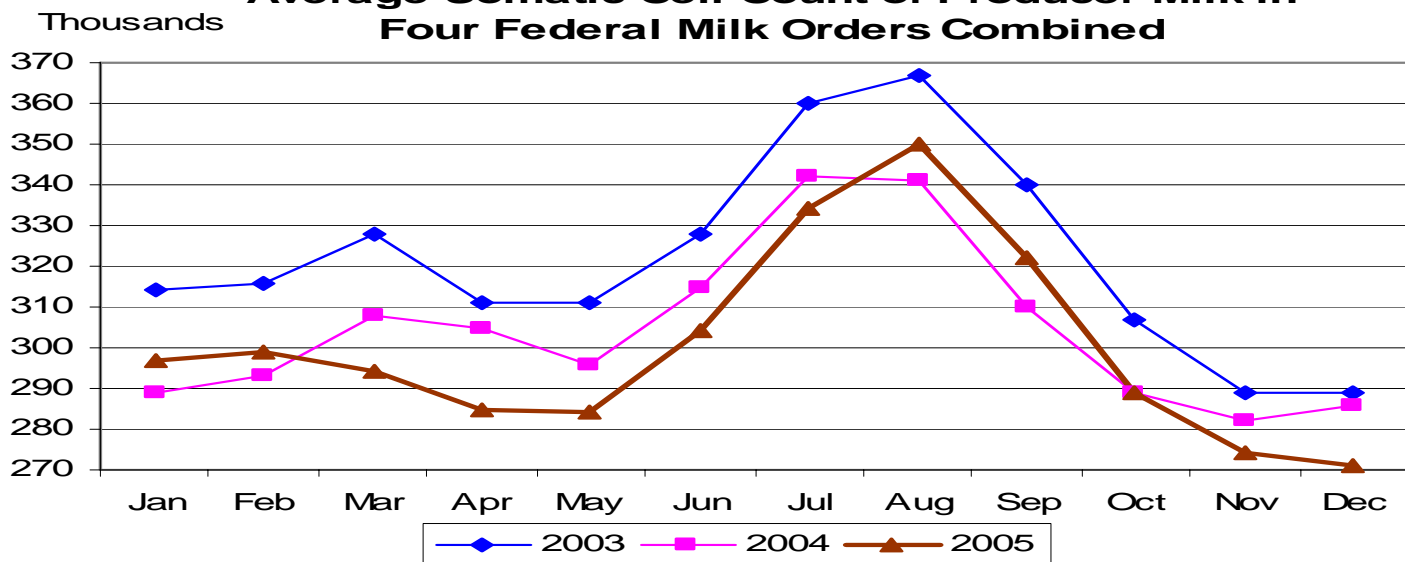
Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined



Average Protein (True) Test of Producer Milk in Six Component Pricing Federal Milk Orders Combined



Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 6 - 10, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 02/03/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF FEBRUARY 6 - 10, 2006 =	0.0	0.0	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JAN. 1 - FEB. 10, 2006 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2005 =	60.2	3,233.1

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	-0-	-0-	-0-	1,331,567	-0-	4.2
WEST	-0-	-0-	-0-	-0-	-0-	29,415,099	-0-	92.4
EAST	-0-	-0-	-0-	-0-	-0-	1,070,603	-0-	3.4
TOTAL	-0-	-0-	-0-	-0-	-0-	31,817,269	-0-	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/21/06 & Comparable Week 2005

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2006-Dairy	N.A.	0.6	6.2	3.0	14.9	3.2	0.4	N.A.	16.1	1.8	47.2	176.9
2005-Dairy	N.A.	0.6	6.2	2.8	15.1	3.0	1.0	N.A.	16.6	3.4	49.6	203.3
2006-All cows	N.A.	0.6	7.7	11.2	30.8	18.5	12.2	N.A.	18.0	2.4	104.6	389.3
2005-All cows	N.A.	0.6	7.6	12.1	30.3	12.6	13.3	N.A.	17.6	6.1	103.8	404.1

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38										
II	13.25											
III	13.39											
IV	12.20											

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoss/mib/cls_prod_cmp_pr.htm